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SUBJECT: DCM HASLACH MEETING WITH MINISTER OF TRANSPORTATION

Classified By: DCM PHASLACH for reasons 1.4 (b) and (d)

¶1. (C) Summary. In his first meeting with DCMAT Haslach, Transportation Minister Amir Abul Jabbar Ismail pressed the USG to make greater use of Iraqi transport assets, particularly air and rail. Ismail defended the GOI's recent decision to enforce Iraqi Airways, monopolies of cargo and charter passenger flights. The DCMAT emphasized the USG position that free-market, commercial considerations should drive the aviation sector, not a monopoly. She also encouraged the minister to travel to the October investment conference to discuss transport issues directly with potential investors; Ismail declined to commit himself. In a later meeting with EMIN and transportation attache, Deputy Minister al Rakani, who openly dislikes his boss, nonetheless defended the GOI's approach to air cargo just as vigorously as did the minister. End summary.

¶2. (U) DCM for Assistance Transition Ambassador Haslach paid her introductory call on Iraqi Transport Minister Amir Abul Jabbar Ismail on September 9, accompanied by Economic Minister Counselor Desrocher, Transportation Attache DeCarme, and CJ9 Director BG Lanza. Ismail was accompanied by aide Sabeeh al Shabani, who interpreted.

¶3. (U) Ismail opened the meeting by expressing his appreciation for Iraq's liberation while also noting he was glad the military portion of the U.S. mission in Iraq was largely over. Ismail expressed hope that American soldiers would be replaced by American engineers, and that Iraqi development would continue to benefit from USG assistance.

¶4. (SBU) Specifically, he pressed for direct flights between the U.S. and Iraq. He also argued for greater use of Iraqi rail assets for the withdrawal of U.S. military forces, claiming Iraqi railroads could carry ten times the traffic they are currently bearing. (Note: the U.S. military is making increased use of the Iraqi rail system. However, security considerations limit how much the military can use the rails and Umm Qasr port. Also, Iraq operates only a single track system in many locations which requires slow speeds due to its condition. Therefore while rolling stock is available to carry more cargo, the number of actual trains that can be run in a day is limited. End note.)

¶5. (SBU) Ismail also referred to the recent GOI decision to enforce Iraqi Airways' (IA) monopoly on air cargo and the U.S. use of DHL to carry APO mail. He claimed that the U.S. was overpaying DHL for a service Iraqi Airways could provide at a fraction of the cost. DCMAT replied that the Transportation Working Group of the Strategic Framework Agreement's Joint Cooperation Committee (JCC) was the best

venue to debate issues like air cargo and urged the working group to convene officially. DCMAT also added that monopolies simply do not make economic sense. She encouraged the Minister to engage in discussions with all carriers seeking to provide service. DCMAT also highlighted the upcoming investment conference in Washington as a venue for discussion with American firms seeking opportunities in the Iraqi transport sector. Ismail said he "hoped" to attend but did not commit.

16. (C) Comment. A few hours after the meeting with the minister, EMIN and the Transportation Attache met informally with Ismail's deputy, Bengan al Rakani. The two men are from different sectarian and professional backgrounds, and there is no love lost between them. Rakani was openly dismissive of his boss. (He laughed aloud at Amir's claims regarding Qof his boss. (He laughed aloud at Amir's claims regarding Iraq's rail capacity.) Nonetheless, their points on air cargo were the same; if anything, Rakani was more vehement in defense of IA's monopoly than was his boss. A savvy lawyer who knew the issue thoroughly, Rakani argued that steering business IA's way was important to Iraq's development and that the monopoly arrangement was entirely justified. We plan to take advantage of the Transportation Working Group and the run up to the Washington investment conference to explain again how enforcement of the monopoly is significantly raising customer costs and will only do Iraq harm in the short- and long-term.  
HILL